Cossiga

Must be frank. Faced with package and maintenance of 1% ceiling. 2 Irish and Italian Reached conclusion that package is essential, otherwise no progress. Begins with British contribution, sets out problem.

Thatcher

Appreciates offers. Certain features of elements of package strenuously contest or find unacceptable. Recaps on French proposals. 1. Contribution - 1979 base year. Callaghan contested it and it is too high. 2. three year average. Others must speak but 79 too high.

Schmidt

Limits himself to comment. President has listed all elements of package. Agreement possible only if agreement on all others. Thus agreement on British problem only provisional. No-one will be satisfied - result must be equal dissatisfaction. Otherwise failure.

Thatcher

Repeats that features in other documents not acceptable or strenuously contested, rest not automatic. Must have prolonged bargaining.

Schmidt

He agrees that some time must be spent on issue, but it must be package.

Cossiga

Any positive convergence must be on all fronts. Will be here a long time if we have to agree

Thatcher

all papers.

Giscard PM has said proposals not acceptable. What are

they? If some are unacceptable, how can there

be a package?

Thatcher Some things in sheepmeat proposal and others.

Cossiga Surely not unacceptable?

Thatcher Not bargainable

Jenkins Future of community not bargainable. Let's

approach things ad referendum

Cossiga Let us conclude but not come to conclusions.

Thatcher Repeats automatic point. Bargaining better word.

Cossiga What about average?

Thatcher Start on basis of fair average. Which would be

three years. Figures from Commission calculated

on same basis.

Jenkins Take a little time to get accurate figure. What

is point of basis?

Thatcher Some years aid not separated from rest. But

what would others consider as base figure?

Giscard Discussion not leading far. This was French idea.

Last year Mrs Thatcher argued about unacceptability(?).

Lets have a figure. What does she consider?

Thatcher Modest contribution. Start out 250 million

[Dead silence]

Cossiga Not basis on which we could reach agreement. Thus

one or two years average a good starting point.

Schmidt 250 million should not be taken up since it fixes

upper limit. German no intension of being sole

contributor. If so receipts limited. New French

proposals raises questions

1. Basis. But agree ceiling should be corrected.

2. Duration or forever. Could agree 78 and 79

average but only for one year.

Thatcher Right duration. Must take account of GNP. Five years

then review.

/..

CONFIDENTIAL

What do you mean by review? Does it mean look Cossiga at it again? Look again but not terminate. Look in light of Thatcher hard circumstances. Contribution rise if GNP rises. Reconsideration not reviewed. Must be political Cossiga decision. 1981. Agreed some years ago. 80. 81 only ones. Giscard Then must get figure. Otherwise difficult financing system. Not fair one fixed but everyone else variable. But not possible for one country. Would have to have Parliamentary approval. Method I dealt with this. Problem is receipts. Thatcher Restructuring essential anyway agreed at Dublin. Ag proposals have reverse effect.

Jenkins

Figures 76 - 89 77 +125.8 78 -228 79 -849

Three years 77-79 - 317 Two years 78-79 - 536

In relation to Community expenditure, second and third method only methods of calculating sum.

These methods isolate that country from responsibility for Community budget. Must have some cut off - a bit like solution 3.

Cossiga

Couldn't have three year average as 77 was in credit. (why must there be an average of unacceptability?)

Could only be two year - 78.79 or 79.

Jenkins has suggested shift from method 2 - 3.

Thatcher

Must make progress on this otherwise not much hope on others.

Haughey

What is British contribution for 1980? Before Ag 1683 + 100 net if Ag agreed.

Werner

Doesn't understand. Thinks 79 should be date (God knows why - he was unintelligible)

Cossiga

Let's agree on amount and duration, no way forward.

Jenkins

What about Schmidt's idea + some mechanism not

isolating consequences to Britain. XXXXXXX

Schmidt

Not a proposal. Gives several months to find

solution.

Cossiga

Schmidt has realistic idea.

Thatcher

Please not temporary. Clouded counsels.

We really must have a lasting solution. Nothing done in meantime. Look at Ag proposals reverse

/of

Schmidt GNP great yardstick for you. Balance of payments for you best. German balance of payments awful. Do it for one, do it for all. We have difficulties -Turkey etc. You not only one. If we do something for a year only. Dispensation of efforts over Thatcher

restructuring.. Whereon we do it - out of the way.

Withdraws his proposal. Meant to be helpful Schmidt (huffy).

another seven months.

settle for two or three year discussion figures over three years.

Then two different approaches

2. If Mrs Thatcher wants longer duration then another discussion, Commission invoked since must be ceiling for all on payments or receipts.

Formula being called into doubt discussing 2 which came for France. No faults on that. Three years very difficult - vigorous opposition

bad moment to terminate. Problem getting worse. Three years a long time. Situation may change. Schmidt's idea would dedramatize terrible situation. Postponement in total would be worse - he's very

worried at postponement.

Giscard

Thatcher

Cossiga

Van Agt

Proposal. Based on:

- 1. Credibility damaged if no agremment
- 2. In present tense international union necessary to get rid of problem
- 3. Whatever solution take up

New attention to solution 1.

He believes not possible to reach agreement permanence. But understands our objection to 1980 only so:

- 1. We offer UK over three years 1,000 EUA
- 2. If essential a less concession

Thatcher

Would loan us 800 million taking all increases in future. Sorry - gap too wide. Not possible at home.

D D

Risky making any proposal. Van Agt's proposal constructive, but would go with Schmidt.

Addendum. Average per last two years and apply for two years.

Werner

Duration of any arrangement could not last longer than three years. Dutch suggested longer. Must combine number of years with digressive clause.

Schmidt

NO! to Agt and Werner. Unlimited contributions. Must consult. One year only can judge. But over years uncalculated no on.

Werner

Understands Scmidt. But take five years. Each year reduced by a fifth!!!

CONFIDENTIAL

Martens He likes Van Agt's proposal. But amount too much if in excess of a billion units of account.

So have problem: 1300 - 1500 impossible.

Van Agt Disappointed at British reaction. 1,000 billion over three years considerable burden. Fourth and fifth year not up to 1,000. Appeal to Britain's margin for compromise small.

Giscard The whole thing has deteriorated into a financial council. What are we up to?

Cossiga Come up against figures - tried to avoid it!

Probably no conclusion, therefore clinging onto

Van Agt and Schmidt. Must try rest of agenda.

D D Germans say can't see implications. But same solution for 81 should be possible. His suggestion as basis.

Thatcher Schmidt's suggestion. Return of 1300, 1400

U N, but some can't discuss amounts of that order.

helpful.

En Is there any point in going on? Van Agt hapeful.
But back to 1979.

Schmidt His idea, taking into account our wish for average 536 - 1100 odd payable.

Large sum. Don't know how to get further.

Giscard If discussion centred on Schmidt or Van Agt, which would she prefer?

Thatcher <u>Both</u>. One period too short Other. Money too little.

Schmidt

Budget increasing all time. Part of package to restate 1% VAT. Absolute limit. dynamism not necessary.

Thatcher

1% VAT does allow bigger budget, because of growth. Commission gets income from levies.

Giscard

Two ways of doing it. Van Agt. Schmidt.

If VA rejected. Schmidt only can accept that

Commission must prepare follow up quickly

Reaffirmation of 1% VAT 2.

Must limit surpluses as well as deficit. If Commission studies.

So. Van Agt is a model.

Or if not, deal with matter according to Schmidt.

Thatcher

Van Agt. Tried to help and grateful. Unfair and unacceptable though a very substantial contributor. Refuses one year solution too. No repeat performance.

Thus can only go forward.

On more than 1,000

Or Schmidt three years subject to review.

Cossiga

Schmidt's proposal (repeats it all)

Wants chairman to go round table.

Giscard/

Repeat the proposal again.

Schmidt

Turt be frank. faced with package

+ maintenance of 1% cailing
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Wouts Chairman lo go round table. Cossiga repeat de proposal again Groead & Schidt.